

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

DDI #510-82
21 January 1982

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence

VIA: Chairman, National Intelligence Council

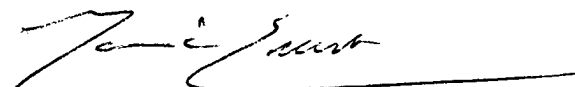
FROM: Maurice C. Ernst
National Intelligence Officer for Economics

SUBJECT: Meeting of Cabinet Council on Economic Affairs

1. On 21 January I attended a meeting of the Cabinet Council on Economic Affairs at which two topics were discussed: (1) The degree of support of US international economic policies from our foreign friends; and (2) The US economic situation.

2. On the international topic, Beryl Sprinkel of Treasury noted substantial support in Europe for most US policies concerning the IMF and the World Bank. He also noted strong criticism of what our foreign friends perceive as excessively expansionary fiscal policies coupled with excessively tight and erratic monetary policies, leading to high interest rates. The Europeans and Japanese, moreover, are less tolerant of sharp interest rate and exchange rate fluctuations and would prefer more US government intervention in both markets.

3. On domestic economic issues, Larry Kudlow of OMB gave a trenchant presentation on what is making the financial markets pessimistic and on the high risk of an aborted economic recovery if projected budget deficits are not reduced (see attached briefing outline).



Maurice C. Ernst

Attachment,
As stated

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